MADIBENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

General Information

Legal form of entity	Local Municiplity
Speaker	Cllr. PB Makhongela
Executive Mayor	Cllr. MP Magongwa
Single Whip	Cllr. SS Malete
Mayoral committee	Cllr. S Klaas Cllr. RL Maluleke Cllr. DS Maimane Cllr. FM Mangoathe Cllr. NM Maswanganyi Cllr. WS Molefe Cllr. BG Montsho Cllr. MG Nqetho Cllr. SDN Nthangeni Cllr. NR Rakolle
Councillors	Cllr. MZ Banda Cllr. EJ Barlow Cllr. LJ Basson Cllr. GD Betha Cllr. TS Bogale Cllr. RNJ Breytenbach Cllr. S Davids Cllr. RB Ellis Cllr. RD Lekoane Cllr. EDF Lourens Cllr. P Maakane Cllr. MM Machette Cllr. BD Mahlaole Cllr. PB Makgabo Cllr. ML Makgale Cllr. SS Malete Cllr. PD Mamogwe Cllr. P Mantu Cllr. NM Maringa Cllr. JS Masina Cllr. PN Masuhlo (Deceased: 21 September 2012) Cllr. K Matli Cllr. SA Matome Cllr. SM Maunatlala Cllr. LE Meso Cllr. DP Mhlanga Cllr. JT Moabi Cllr. ME Moatshe Cllr. TM Modiha Cllr. ETM Modise Cllr. RK Mogotsi Cllr. WS Molefe Cllr. MS Moloi

General Information

Cllr. S Monnakgotla
Cllr. NJ Montsho
Cllr. PN More
Cllr. FJ Motepe
Cllr. G Motlhokapudi
Cllr. S Mpongwana
Cllr. S Nngubegusha
Cllr. LL Nkhoma
Cllr. KS Ntshabele
Cllr. II Padi
Cllr. AG Peplar
Cllr. HT Phalwane
Cllr. PA Phetlhe
Cllr. J Pieterse
Cllr. NR Rakolle
Cllr. IS Raseroke
Cllr. GJ Rossouw
Cllr. J Sefudi
Cllr. CD Sekhoto
Cllr. M Serero
Cllr. WI Strauss
Cllr. JG Tshabalala (Resigned: 30 November 2012)
Cllr. AM Tshidi
Cllr. TPJ Tsotetsi
Cllr. EE Tanke
Cllr. EM Thabane
Cllr. I Nkosi
Cllr. M Maliwa
Cllr. SB Molelu
Cllr. MW Motlhasedi

Grading of local authority	4 (medium capacity)
Chief Finance Officer (CFO)	T Nkuna
Accounting Officer	M Juta
Registered office	53 Van Velden Street Brits 0250
Business address	53 Van Velden Street Brits 0250
Postal address	PO Box 106 Brits 0250
Bankers	ABSA Bank Limited
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the municipal council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the section 126(1) of th Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors are responsible for the audit and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page **XXX**.

The annual financial statements set out on page 1 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 28 August 2013 and were signed on its behalf by:

M Juta
Municipal Manager

Audit Committee Report

In terms of the section 166 of Municipal Finance Management Act (Act no.56 of 2003) an Audit Committee is established to serve as an independent governance structure whose function is to provide an oversight role on the system of internal control, financial reporting processes, risk management, governance and the organisation's process for monitoring compliance with laws and regulations and the code of conducts. Furthermore, the Audit Committee assists the Accounting Officer in the effective execution of his responsibilities with the ultimate aim of the achievement of the organisation's objectives and goals. The Audit Committee has adopted its written terms of reference approved by the Council.

We are pleased to present our report for the financial year ended 30 June 2013.

Audit committee members and attendance

The audit committee consists of four (4) members who have been appointed by the council in November 2011. During the financial year, four (4) ordinary meetings and five (5) special meetings were held to deal with urgent matters:

Name of member	Number of meetings attended
HB Mathibela (Acting Chairperson)	9
MA Mmapheto	9
Z Fihlani	05
FJ Van Westhuizen	07

Effectiveness of internal contorl

The Audit Committee reviewed the work of Internal Audit in terms of the approved Audit Plan. Based on the work of Internal Audit Function and the report of the Auditor-General, there was a breakdown of internal controls reported by auditors and management has made commitment to address the shortcomings. To this end, the Audit Committee can assert that, the internal controls are partially effective to assist management in achieving the desired business objectives.

Effectiveness of internal Audit

The Audit Committee is of the opinion that Internal Audit operates effectively under the circumstances to meet its mandate. However, the Committee has noted with concern the staff shortages and budget to complement its capacity. The resource constraints have been communicated to management for further consideration. Additional resources have been made available by management at the tail end by appointing co-sourced service provider to assist to finalise the audits in the operational plan. The Audit Committee has considered among others the following activities of Internal Audit:

- Three-year rolling strategic Internal Audit plan and an Annual Internal Audit Plan for the year ending 30 June 2013.
- The Internal Audit Charter.
- Internal Audit reports.

While all the internal audit reports are submitted and discussed at the Audit Committee level, the Internal Audit has experience some challenges with slow progress by management in responding to the reports and implementing Internal Audit recommendations. The Audit Committee has recommended to council that Accounting Officer hold senior management responsible for feedback through their performance agreements. The Audit Committee has further recommended to council to conduct a forensic investigation on Supply Chain Management and Revenue Management section due to the gravity of the matters raised in the internal audit reports.

Effectiveness of risk management

The municipality has performed risk assessment during the year and certain additional work in this regard was undertaken by management. While the risk assessment provides platform and basis for risk management, the process still need further development, and to this end, the Audit Committee is of the view that the principles of effective risk management must be championed by management and embedded into the culture of the municipality. Risk Management is an area of concern due to the slow pace adopted by the municipality in ensuring that the risk management principles and concepts are implemented. The Audit Committee has recommended to council to appoint the Chief Risk Officer to bring the expertise required to roll out Enterprise Risk Management in the municipality.

Audit Committee Report

Effectiveness of performanance management system

The municipality has performance management system and policy approved by the Council and performance measurement has been partially undertaken by the administration. The Committee has considered the reports of Internal Audit for performance management and assert that while management has made progress in performance management, more work is needed to improve performance management in the municipality. Effective performance management would have positive spin offs for the people of Madibeng.

The Performance Management Unit needs to be capacitated to assist the municipality to deliver on its mandate. The performance management reports (section 46 reports i.e. mid- year and quarterly reports) must be audited by the Internal Audit before they are submitted to Council, to provide assurance to Council in terms of credible performance information reported.

The Audit Committee has further recommended that there should be a workshop with all the stakeholders (councillors and administration) to discuss performance information in pursuit of uniform understanding regarding National Treasury Framework for Managing Programme Performance Information. Understand and review in year reports, annual performance reports, AFS, audit reports and annual reports which will assist in discharging their oversight and/or monitoring responsibilities. The municipality should improve on employee’s performance appraisals in terms of Municipal Systems Act Sec 54A & Sec 56. We appreciate the fact that employees (senior management) sign employment contracts and annually enter into performance agreements with Council. However, this process must cascaded down to middle management and lower and/or all staff and employees performance is assessed against the set targets on a quarterly basis. .

Audit Committee Report

Quality of monthly/quarterly financial reporting

The Audit Committee was privy to the quarterly financial reports submitted by the Chief Financial Officer during the period under review. To this end, the Audit Committee can assert that the quality of the reports were acceptable. The municipality has made some progress in cash flow management. However, more work is needed to raise the debtors' collection and keep an eye on the expenditure control to avoid potential commitment of irregular, fruitless and wasteful expenditures. The Audit Committee has noted beyond any doubt irregular expenditure on overtime and we have advised the Council to condone the expenditure and report to the relevant authorities such as Auditor General, National Treasury and Department of Local Government. The administration has developed the Turnaround Strategy to improve the cash flow and service delivery. The progress of the Turnaround Strategy will be monitored on a regular basis

Annual financial statements

In fulfilling our responsibilities to review of the Annual Financial Statements, The Audit Committee considered whether they are fairly presented, complete and reflect appropriate accounting principles. Among others the Committee has performed the following:

- Reviewed and discussed with the Accounting Officer and the Chief Financial Officer Auditor the draft Annual Financial Statements.
- Reviewed the resolution of significant and/or unusual accounting and auditing challenges highlighted by management
- Reviewed the nature of any significant adjustment to the financial statements proposed by management or the external auditors
- Reviewed the statement of disclosure in the draft annual financial statements
- Reviewed the nature and impact of any changes in accounting policies during the year
- Reviewed the reasons for major fluctuations in financial performance (current year compared with previous year)
- Reviewed unusual circumstances or events reflected in the Draft annual Financial Statements
- Evaluated the requirements of the MFMA and Treasury Regulations as well as certain statements of Generally Recognized Accounting Practice (GRAP)
- The findings of the Committee in this regard will be tabled in a separate report to council.

Appreciation

The Audit Committee express its sincere appreciation to the Executive Mayor, Municipal Manager, Senior Management and all officials for their unwavering support and interest in the activities of the Committee during the year under review. The support and advice of other stakeholders such as the Office of the Auditor General, National Treasury, and Dept. of Local Government is also acknowledged in pursuing the interest of effective corporate governance and clean audit outcomes within the municipality.

We extend our gratitude to Ms. Seipati Matjele, the Head of Internal Audit and her staff in Internal Audit for their steadfast efforts during the year under review, despite of resources constraints and other frustrations that goes with the job.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:
M Juta

7. Corporate governance

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

8. Bankers

The municipality banks primarily with ABSA Bank Limited.

9. Auditors

Auditor General will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	9	4 507 495	4 916 835
Other financial assets	6	4 999 019	62 563 434
VAT receivable	10	-	14 980 977
Consumer debtors	11	57 683 314	276 922 295
Other receivables	8	-	1 812 289
Cash and cash equivalents	12	47 692 209	20 721 087
		114 882 037	**381 916 917**
Non-Current Assets			
Investment property	3	2 680 675 279	2 680 675 279
Property, plant and equipment	4	3 955 138 961	4 198 660 997
Heritage assets	5	10 100	10 100
Other financial assets	6	11 186 301	22 036 618
Other receivables	8	-	12 103 597
		6 647 010 641	**6 913 486 591**
Total Assets		**6 761 892 678**	**7 295 403 508**
Liabilities			
Current Liabilities			
Other financial liabilities	13	-	5 619 231
Finance lease obligation	14	662 841	580 718
Payables from exchange transactions	17	187 645 389	169 886 665
VAT payable	18	16 393 365	-
Consumer deposits	19	12 954 776	12 887 265
Unspent conditional grants and receipts	15	40 150 949	117 325 389
Bank overdraft	12	13 625 717	23 277 300
		271 433 037	**329 576 568**
Non-Current Liabilities			
Other financial liabilities	13	608 632 698	540 074 994
Finance lease obligation	14	58 053	720 894
Retirement benefit obligation	7	96 506 899	92 348 808
Provisions	16	23 683 009	21 041 583
		728 880 659	**654 186 279**
Total Liabilities		**1 000 313 696**	**983 762 847**
Net Assets		**5 761 578 982**	**6 311 640 661**
Net Assets			
Accumulated surplus		5 761 578 982	6 311 640 661

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	21	467 915 341	438 293 901
Rental of facilities and equipment		492 975	650 581
Interest received		54 910 149	43 272 638
Licences and permits		3 716 542	5 273 345
Commissions received		1 279 749	8 754 694
Other income	23	26 746 340	20 074 921
Interest received - investment		16 424 130	10 738 501
Property rates		174 982 000	164 654 270
Government grants & subsidies	22	477 040 563	457 746 183
Fines		1 122 690	453 207
Total revenue		**1 224 630 479**	**1 149 912 241**
Expenditure			
Personnel	25	(267 815 020)	(228 695 097)
Remuneration of councillors	26	(22 992 032)	(19 769 000)
Depreciation and amortisation	30	(474 550 345)	(484 426 373)
Finance costs	31	(78 529 075)	(74 535 013)
Debt impairment	27	(399 181 348)	(98 662 111)
Repairs and maintenance		(32 356 399)	(8 356 396)
Bulk purchases	34	(336 677 021)	(329 088 853)
Contracted services	33	(78 973 597)	(43 709 102)
General Expenses	24	(88 164 739)	(109 122 018)
Total expenditure		**(1 779 239 576)**	**(1 396 363 963)**
Operating deficit		**(554 609 097)**	**(246 451 722)**
Actuarial gain on post employment benefits		3 892 436	5 607 648
Fair value adjustments	29	654 983	1 656 709
		4 547 419	**7 264 357**
Deficit for the year		**(550 061 678)**	**(239 187 365)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	934 564 263	934 564 263
Adjustments		
Prior year adjustments	5 616 263 763	5 616 263 763
Balance at 01 July 2011 as restated	**6 550 828 026**	**6 550 828 026**
Changes in net assets		
Loss for the year	(239 187 365)	(239 187 365)
Total changes	(239 187 365)	(239 187 365)
Balance at 01 July 2012	**6 311 640 660**	**6 311 640 660**
Changes in net assets		
Loss for the year	(550 061 678)	(550 061 678)
Total changes	(550 061 678)	(550 061 678)
Balance at 30 June 2013	**5 761 578 982**	**5 761 578 982**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		966 469 213	586 881 598
Grants		477 040 563	457 746 183
Interest income		71 334 279	54 011 139
Other receipts		26 746 340	20 074 921
		1 541 590 395	1 118 713 841
Payments			
Employee costs		(290 807 052)	(248 464 097)
Suppliers		(572 327 091)	(585 616 538)
Finance costs		(78 529 075)	(74 535 013)
		(941 663 218)	(908 615 648)
Net cash flows from operating activities	35	**599 927 177**	**210 098 193**
Cash flows from investing activities			
Purchase of property, plant and equipment - infrastructure	4	(230 766 670)	(207 792 130)
Purchase of property, plant and equipment - movable assets	4	(262 562)	-
Unbundling of assets	4	(393 970 154)	(124 319 993)
Net cash flows from investing activities		**(624 999 386)**	**(332 112 123)**
Cash flows from financing activities			
Increase other financial liabilities		62 938 473	42 077 314
Finance lease payments		(1 243 559)	(1 344 132)
Net cash flows from financing activities		**61 694 914**	**40 733 182**
Net increase/(decrease) in cash and cash equivalents		**36 622 705**	**(81 280 748)**
Cash and cash equivalents at the beginning of the year		(2 556 213)	78 724 535
Cash and cash equivalents at the end of the year	12	**34 066 492**	**(2 556 213)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	608 960 000	1 611 688	**610 571 688**	467 915 341	**(142 656 347)**	Appendix E1
Rental of facilities and equipment	822 000	25 269	**847 269**	492 975	**(354 294)**	Appendix E1
Interest received (trading)	50 000 000	-	**50 000 000**	54 910 149	**4 910 149**	Appendix E1
Licences and permits	3 502 000	69 358	**3 571 358**	3 716 542	**145 184**	Appendix E1
Commissions received	-	-	**-**	1 279 749	**1 279 749**	Appendix E1
Other income	30 463 700	4 318 630	**34 782 330**	26 746 340	**(8 035 990)**	Appendix E1
Interest received - investment	7 140 000	690 732	**7 830 732**	16 424 130	**8 593 398**	Appendix E1
Total revenue from exchange transactions	**700 887 700**	**6 715 677**	**707 603 377**	**571 485 226**	**(136 118 151)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	188 020 000	(53 232 826)	**134 787 174**	174 982 000	**40 194 826**	Appendix E1
Government grants & subsidies	494 843 000	(76 120 000)	**418 723 000**	477 040 563	**58 317 563**	Appendix E1
Transfer revenue						
Fines	2 505 000	-	**2 505 000**	1 122 690	**(1 382 310)**	Appendix E1
Total revenue from non-exchange transactions	**685 368 000**	**(129 352 826)**	**556 015 174**	**653 145 253**	**97 130 079**	
Total revenue	**1 386 255 700**	**(122 637 149)**	**1 263 618 551**	**1 224 630 479**	**(38 988 072)**	
Expenditure						
Personnel	(225 203 700)	(30 779 637)	**(255 983 337)**	(267 815 020)	**(11 831 683)**	Appendix E1
Remuneration of councillors	(24 400 000)	160 935	**(24 239 065)**	(22 992 032)	**1 247 033**	Appendix E1
Depreciation and amortisation	(40 395 500)	-	**(40 395 500)**	(474 550 345)	**(434 154 845)**	Appendix E1
Finance costs	(38 000 000)	38 000 000	**-**	(78 529 075)	**(78 529 075)**	Appendix E1
Debt impairment	(190 000 000)	79 000 000	**(111 000 000)**	(399 181 348)	**(288 181 348)**	Appendix E1
Repairs and maintenance	(46 255 500)	10 611 304	**(35 644 196)**	(32 356 399)	**3 287 797**	Appendix E1
Bulk purchases	(400 054 000)	35 826 054	**(364 227 946)**	(336 677 021)	**27 550 925**	Appendix E1
Contracted Services	(83 410 000)	(3 940 000)	**(87 350 000)**	(78 973 597)	**8 376 403**	Appendix E1
General Expenses	(133 461 000)	(6 001 617)	**(139 462 617)**	(88 164 739)	**51 297 878**	Appendix E1
Total expenditure	**(1 181 179 700)**	**122 877 039**	**(1 058 302 661)**	**(1 779 239 576)**	**(720 936 915)**	
Operating (deficit)/surplus	**205 076 000**	**239 890**	**205 315 890**	**(554 609 097)**	**(759 924 987)**	
Gain on foreign exchange	-	-	**-**	3 892 436	**3 892 436**	Appendix E1
Fair value adjustments	-	-	**-**	654 983	**654 983**	Appendix E1
	-	**-**	**-**	**4 547 419**	**4 547 419**	
Surplus/(deficit)	**205 076 000**	**239 890**	**205 315 890**	**(550 061 678)**	**(755 377 568)**	
Capital Expenditure	(205 000 000)	-	**(205 000 000)**	(231 884 606)	**(26 884 606)**	
Surplus/(deficits) for the year	**76 000**	**239 890**	**315 890**	**(781 946 284)**	**(782 262 174)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are yearly grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.1 Transfer of functions between entities under common control (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for debt impairment

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The recoverability percentage on receivables is calculated annual per receivables category.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the muncipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.3 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Infrastructure Assets
The following is the list of infrastructure assets with the estimated useful life in years.

Electricity		
	Power stations	(30)
	Cooling towers	(30)
	Transformer kiosks	(30)
	Meters	(20)
	Load control equipment	(20)
	Switchgear	(20)
	Supply and reticulation networks	(20)
	Mains	(20)
Roads		
	Motorways	(15)
	Other roads	(10)
	Traffic islands	(10)
	Traffic lights	(20)
Street lights		(25)
Overhead bridges		(30)
Stormwater drains		(20)
Bridges, subways and culverts		(30)
Car parks		(20)
Bus terminals		(20)
Water		
	Mains	(20)
	Supply and reticulation networks	(20)
	Reservoirs and storage tanks	(20)
	Meters	(15)
	Rights(to draw water from a particular source belonging to another party)	(20)
Gas		
	Supply and reticulation networks	(20)
	Storage tanks	(20)
	Mains	(20)
	Meters	(20)

Accounting Policies

1.3 Property, plant and equipment (continued)

Sewerage		
	Sewer mains	(20)
	Outfall sewer	(20)
	Sewerage purification works	(20)
	Sewerage pumps	(15)
	Sludge machines	(15)
Pedestrian malls		
	Footways	(20)
	Kerbing	(20)
	Paving	(20)
Airports		
	Runways	(20)
	Aprons	(20)
	Airport and radio beacons	(20)
Taxiways		(20)
Security measures		
	Access control systems	(5)
	Security systems	(5)
	Security fencing	(3)

COMMUNITY ASSETS

The following is a list of community assets, showing the assigned estimated useful lives years.

Building and other assets		
	Ambulance stations	(30)
	Aquariums	(30)
	Beach developments	(30)
	Care centres	(30)
	Cemeteries	(30)
	Civic centres	(30)
	Clinics and hospitals	(30)
	Community centres	(30)
	Fire stations	(30)
	Game reserves and rest camps	(30)
	Indoor sports	(30)
	Libraries	(30)
	Museums and art galleries	(30)
	Parks	(30)
	Public conveniences and bath houses	(30)
	Recreation centres	(30)
	Sports and related stadia	(30)
	Zoos	(30)
Recreation facilities		
	Bowling greens	(20)
	Tennis courts	(20)
	Swimming pools	(20)
	Golf courses	(20)
	Jukskei pitches	(20)
	Outdoor sports facilities	(20)
	Organs (that is pipe organs that are fixtures in a municipal hall or other centre)	(20)
	Lakes and dams	(20)
	Fountains	(20)
	Flood lighting	(20)

Accounting Policies

1.3 Property, plant and equipment (continued)
OTHER ASSETS

The following is a list of other assts, showing the estimated useful lives years in brackets

Buildings	
Abattoirs	(30)
Asphalt plant	(30)
Cable stations	(30)
Caravan parks	(30)
Compacting stations	(30)
Hostels used to accommodate the public or tourists	(30)
Housing schemes	(30)
Kilns	(30)
Laboratories	(30)
Fresh produce and other markets	(30)
Nurseries	(30)
Office buildings	(30)
Old age homes	(30)
Quarries	(30)
Tip sites	(30)
Training centres	(30)
Transport facilities	(30)
Workshops and depots	(30)
Office equipments	
Computer hardware	(5)
Computer software	(3-5)
Office machines	(3-5)
Air conditioners	(5-7)
Furniture and fittings	
Chairs	(7-10)
Tables and desks	(7-10)
Cabinets and cupboards	(7-10)
Bins and containers	
Household refuse bins	(5)
Bulk refuse containers	(10)
Emergency equipment	
Fire hoses	(5)
Other fire fighting equipment	(15)
Emergency lights	(5)
Motor vehicles	
Ambulances	(5-10)
Fire engines	(20)
Buses	(15)
Trucks and light delivery vehicles	(5-7)
Ordinary motor vehicles	(5-7)
Motor cycles	(3)
Plant and equipment	
Graders	(10-15)
Tractors	(10-15)
Mechanical horses	(10-15)
Farm equipment	(5)
Lawn mowers	(2)
Compressors	(5)
Laboratory equipment	(5)
Radio equipment	(5)
Firearms	(5)

Accounting Policies

1.3 Property, plant and equipment (continued)

Telecommunication equipment	(5)
Cable cars	(15)
Irrigation systems	(15)
Cremators	(15)
Lathes	(15)
Filing equipment	(15)
Conveyors	(15)
Feeders	(15)
Tippers	(15)
Pelverising mills	(15)

Other assets

Aircrafts	(15)
Watercrafts	(15)

Accounting Policies

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.5 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.7 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

1.7 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on the municipality-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.7 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.7 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality’s continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Financial assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Accounting Policies

1.9 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.10 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in uses of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.11 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

1.13 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the receivable;
- defaults or delinquencies in interest and capital repayments by the receivable;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the receivable to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of municipalities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.15 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of ‘‘unauthorised expenditure’’

Accounting Policies

1.20 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2012 to 30 June 2013.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	01 July 2012
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	01 July 2012
• GRAP 103: Heritage Assets	01 April 2012	01 July 2012
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	01 July 2012
• GRAP 26: Impairment of cash-generating assets	01 April 2012	01 July 2012
• GRAP 104: Financial Instruments	01 April 2012	01 July 2012

2.2 Standards and interpretations effective in the current year

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Change in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in hyper Inflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Lease
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash generating Assets
GRAP 23	Revenue from non exchange transactions

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 24	Budget Information
GRAP 26	Impairment of cash generating assets
GRAP 100	Non-current Aseets held for sale and discontinued operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets

3. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	2 680 675 279	-	2 680 675 279	2 680 675 279	-	2 680 675 279

Reconciliation of investment property - 2013

	Opening balance	**Total**
Investment property	2 680 675 279	2 680 675 279

Reconciliation of investment property - 2012

	Opening balance	**Total**
Investment property	2 680 675 279	2 680 675 279

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	6 749 849	(1 543 629)	5 206 220	6 749 849	(1 277 874)	5 471 975
Infrastructure	4 955 150 792	(1 594 970 515)	3 360 180 277	4 917 356 318	(1 135 854 413)	3 781 501 905
Community	272 598 883	(54 333 731)	218 265 152	272 598 883	(43 040 532)	229 558 351
Work in progress	356 289 785	-	356 289 785	163 307 589	-	163 307 589
Other property, plant and equipment	35 724 636	(20 527 109)	15 197 527	35 472 997	(16 651 820)	18 821 177
Total	**5 626 513 945**	**(1 671 374 984)**	**3 955 138 961**	**5 395 485 636**	**(1 196 824 639)**	**4 198 660 997**

Figures in Rand	2013	2012

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Assets written off	Depreciation	Impairment loss	Total
Buildings	5 471 975	-	-	-	(265 755)	-	5 206 22
Infrastructure	3 781 501 905	-	37 794 474	-	(457 633 081)	(1 483 021)	3 360 180 27
Community	229 558 351	-	-	-	(11 293 199)	-	218 265 15
Work in progress	163 307 589	230 776 670	(37 794 474)	-	-	-	356 289 78
Other property, plant and equipment	18 821 177	262 562	-	(10 922)	(3 875 290)	-	15 197 52
	4 198 660 997	**231 039 232**	**-**	**(10 922)**	**(473 067 325)**	**(1 483 021)**	**3 955 138 96**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Assets written off	Depreciation	Impairment loss	Total
Buildings	5 737 731	-	-	-	(265 756)	-	5 471 97
Infrastructure	4 176 376 803	-	72 934 455	-	(464 393 718)	(3 415 635)	3 781 501 90
Community	219 978 034	-	21 912 280	-	(10 971 333)	(1 360 630)	229 558 35
Work in progress	50 362 194	207 792 130	(94 846 735)	-	-	-	163 307 58
Other property, plant and equipment	25 618 666	-	-	(2 778 188)	(4 019 301)	-	18 821 17
	4 478 073 428	**207 792 130**	**-**	**(2 778 188)**	**(479 650 108)**	**(4 776 265)**	**4 198 660 99**

Pledged as security

No assets have been pledged as secuirty.

5. Heritage assets

	2013			2012		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets which fair values cannot be reliably measured:						
Art Collections, antiquities and exhibits	10 100	-	10 100	10 100	-	10 100

Reconciliation of heritage assets 2013

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured:		
Art Collections, antiquities and exhibits	10 100	10 100

Reconciliation of heritage assets 2012

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured:		
Art Collections, antiquities and exhibits	10 100	10 100

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

6. Other financial assets

Designated at fair value		
Listed shares	1 668 970	1 186 234
Unit trusts	7 835 053	7 545 753
Other investments	6 681 297	75 868 065
	16 185 320	**84 600 052**
Non-current assets		
Designated at fair value	11 186 301	22 036 618
Current assets		
Designated at fair value	4 999 019	62 563 434

7. Employee benefit obligations

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	92 348 915	88 419 000
Benefits paid	(2 370 299)	(1 982 757)
Net expense recognised in the statement of financial performance	6 528 283	5 912 672
Closing balance	**96 506 899**	**92 348 915**

Net expense recognised in the statement of financial performance

Current service cost	4 303 132	4 184 000
Interest cost	7 274 574	8 191 000
Actuarial (gains) / losses	(5 049 423)	(6 462 328)
Total included in employee related costs	**6 528 283**	**5 912 672**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,84 %	7,98 %
Expected increase in healthcare costs	7,71 %	6,87 %
Net discount rate	1,04 %	1,04 %

8. Other receivables

Long term receivables	-	13 915 886
Non-current assets		
At amortised cost	-	12 103 597
Current assets		
At amortised cost	-	1 812 289
	-	**13 915 886**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

9. Inventories

Consumable stores	4 079 198	4 018 899
Water	428 297	897 936
	4 507 495	**4 916 835**

10. VAT receivable

VAT	-	14 980 977

11. Consumer

Gross balances		
Rates	241 800 561	266 772 867
Electricity	115 064 258	101 580 430
Water	120 205 042	285 075 011
Sewerage	62 210 960	65 866 980
Refuse	63 637 711	59 946 824
Unallocated Deposits	(5 761 985)	(5 918 026)
Other	293 075 129	194 096 326
	890 231 676	**967 420 412**

Less: Allowance for impairment		
Rates	(239 076 731)	(190 566 131)
Electricity	(104 992 355)	(71 873 451)
Water	(104 388 597)	(201 705 436)
Sewerage	(54 048 347)	(46 604 323)
Refuse	(55 288 655)	(42 415 504)
Other	(274 753 677)	(137 333 272)
	(832 548 362)	**(690 498 117)**

Net balance		
Rates	2 723 830	76 206 736
Electricity	10 071 903	29 706 979
Water	15 816 445	83 369 575
Sewerage	8 162 613	19 262 657
Refuse	8 349 056	17 531 320
Unallocated Deposits	(5 761 985)	(5 918 026)
Other	18 321 452	56 763 054
	57 683 314	**276 922 295**

Rates		
Current (0 -30 days)	12 859 623	18 422 412
31 - 60 days	9 050 013	7 963 783
61 - 90 days	7 579 688	6 929 326
> 90 days	264 913 253	227 266 420
Provision for debt impairment	(291 678 747)	(184 375 205)
	2 723 830	**76 206 736**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
11. Consumer (continued)		
Electricity		
Current (0 -30 days)	27 520 334	24 736 148
31 - 60 days	14 841 280	13 403 569
61 - 90 days	9 124 836	6 114 093
> 90 days	63 591 415	57 326 620
Provision for debt impairment	(105 005 962)	(71 873 451)
	10 071 903	**29 706 979**
Water		
Current (0 -30 days)	10 785 536	5 732 726
31 - 60 days	6 524 752	4 643 440
61 - 90 days	5 180 381	3 429 151
> 90 days	97 646 685	271 269 694
Provision for debt impairment	(104 320 909)	(201 705 436)
	15 816 445	**83 369 575**
Sewerage		
Current (0 -30 days)	3 195 601	2 861 141
31 - 60 days	2 049 872	2 169 943
61 - 90 days	827 603	1 949 047
> 90 days	56 129 364	58 886 849
Provision for debt impairment	(54 039 827)	(46 604 323)
	8 162 613	**19 262 657**
Refuse		
Current (0 -30 days)	2 211 080	2 132 491
31 - 60 days	1 789 544	1 770 223
61 - 90 days	1 668 562	1 398 881
> 90 days	57 960 682	54 645 229
Provision for debt impairment	(55 280 812)	(42 415 504)
	8 349 056	**17 531 320**
Unallocated Deposits		
> 90 days	(5 761 985)	(5 918 026)
Other (specify)		
Current (0 -30 days)	839 046	4 192 514
31 - 60 days	4 297 603	3 964 695
61 - 90 days	1 146 052	3 851 653
> 90 days	286 904 807	182 087 464
Provision for debt impairment	(274 866 056)	(137 333 272)
	18 321 452	**56 763 054**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(690 498 117)	(591 840 984)
Contributions to allowance	(142 050 245)	(98 657 133)
	(832 548 362)	**(690 498 117)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

12. Cash and cash equivalents (continued)

Cash on hand	11 764	11 764
Bank balances	3 263 328	2 286 628
Short-term deposits	44 417 117	18 422 695
Bank overdraft	(13 625 717)	(23 277 300)
	34 066 492	**(2 556 213)**

Current assets	47 692 209	20 721 087
Current liabilities	(13 625 717)	(23 277 300)
	34 066 492	**(2 556 213)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank Cheque Account	8 248 309	57 563 276	23 605 130	(13 625 717)	(23 277 300)	34 461 485
ABSA Bank Cheque Account	4	857	658	4	857	658
ABSA Bank Cheque Account	3 894	4 698	1 161	3 884	4 698	1 161
ABSA Bank Cheque Account	2 983 696	2 007 038	3 016 320	4 275 196	3 298 537	3 016 320
ABSA Bank Cheque Account	209 059	207 350	203 902	209 059	207 350	203 902
Standard Bank Cheque Account	-	66 685	67 633	66 685	66 685	67 633
Standard Bank Call Account	4 323	4 278	4 214	4 323	4 278	4 214
Standard Bank Call Account	785 531	753 084	720 638	785 531	753 084	720 638
Public Investment Corporation	-	-	1 685 113	-	-	1 692 038
ABSA Bank Call Account	427 183	803 940	17 996 207	427 183	830 940	17 996 207
ABSA Bank Call Account	13 877	1 486 642	1 421 757	13 877	1 486 642	1 421 757
ABSA Bank Call Account	96 344	3 038 920	2 905 138	96 344	3 038 920	2 905 138
ABSA Bank Call Account	1 308 580	11 588 814	11 588 814	1 308 580	11 588 814	15 528 832
Investec Capital Markets	755 038	720 017	720 017	755 038	720 017	684 663
ABSA Bank Call Account	986 708	-	-	986 708	-	-
ABSA Bank Call Account	1 627 560	-	-	1 627 560	-	-
ABSA Bank Call Account	1 944 324	-	-	1 944 324	-	-
ABSA Bank Call Account	2 988 536	-	-	2 988 536	-	-
ABSA Bank Call Account	268 547	-	-	268 547	-	-
ABSA Bank Call Account	1 017 225	-	-	1 017 225	-	-
ABSA Bank Call Account	2 407 450	-	-	2 407 450	-	-
ABSA Bank Call Account	5 784 341	-	-	5 784 341	-	-
ABSA Bank Call Account	1 017 225	-	-	1 017 225	-	-
ABSA Bank Call Account	2 644 785	-	-	2 644 785	-	-
FNB	88 899	-	-	88 899	-	-
ABSA Bank Call Account	68 408	-	-	68 408	-	-
ABSA Bank Call Account	20 271 134	-	-	20 271 134	-	-
Total	**55 950 980**	**78 245 599**	**63 936 702**	**35 435 129**	**(1 276 478)**	**78 704 646**

13. Other financial liabilities

At amortised cost		
Development Bank of South Africa (DBSA)	-	7 151 265
Public Investment Corporation (PIC)	608 632 698	538 542 960
	608 632 698	**545 694 225**
Total other financial liabilities	**608 632 698**	**545 694 225**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Non-current liabilities		
Development Bank of Southern Africa (DBSA)	-	1 532 034
Public Investment Corporation (PIC)	608 632 698	538 542 960
	608 632 698	**540 074 994**
Current liabilities		
Development Bank of Southern Africa (DBSA)	-	5 619 231

14. Finance lease obligation

Minimum lease payments due		
- within one year	662 841	580 718
- in second to fifth year inclusive	58 052	720 893
	720 893	1 301 611
less: future finance charges	(58 868)	(215 290)
Present value of minimum lease payments	**662 025**	**1 086 321**
Present value of minimum lease payments due		
- within one year	662 841	580 718
- in second to fifth year inclusive	58 053	720 894
	720 894	**1 301 612**
Non-current liabilities	58 053	720 894
Current liabilities	662 841	580 718
	720 894	**1 301 612**

The average lease term is 5 years and the average effective borrowing rate was 12% (2012: 12%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Water Affairs	108 929	-
Expanded Public Work Programme	1 522 326	3 085 695
Library Grant	800 000	400 000
Municipal Infrastructure Grant	35 456 238	111 576 238
Disaster Management Grant	2 263 456	2 263 456
	40 150 949	**117 325 389**

Movement during the year

Balance at the beginning of the year	117 325 389	113 137 811
Additions during the year	216 260 000	182 981 934
Income recognition during the year	(293 434 440)	(178 794 356)
	40 150 949	**117 325 389**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for the restoration of landfil site	9 094 074	561 880	-	9 655 954
Provision for long service award	11 947 509	3 108 167	(1 028 621)	14 027 055
	21 041 583	**3 670 047**	**(1 028 621)**	**23 683 009**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Provision for the restoration of landfil site	8 898 431	195 643	-	9 094 074
Provision for long service award	10 380 996	2 633 306	(1 066 793)	11 947 509
	19 279 427	**2 828 949**	**(1 066 793)**	**21 041 583**

Key financial assumptions usd for the valuation of the closure costs for the Hartebeesfontein landfill site are as follow:

	2013	2012
CPI	5.77%	5.92%
Discount rate	8.02%	8.17%
Nett effective discount rate	2.25%	2.25%

It is estimated that the landfill site has a remaining useful life of 8 years.

Environmental rehabilitation provision

The estimate is in respect of the landfill site currently in operation. The landfill site needs to be rehabilitated in 2021.

17. Payables from exchange transactions

	2013	2012
Trade payables	50 535 843	88 776 529
Payments received in advanced	71 279 175	46 312 667
Retentions	34 793 864	21 524 396
Accrued leave pay	15 420 811	5 443 495
Accrued bonus	4 799 129	4 846 382
Other payables	10 816 567	2 983 196
	187 645 389	**169 886 665**

18. VAT payable

	2013	2012
Tax refunds payables	16 393 365	-

19. Consumer deposits

	2013	2012
Consumer deposits	12 954 776	12 887 265

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

20. Revenue

Service charges	467 915 341	438 293 901
Rental of facilities and equipment	492 975	650 581
Interest received (trading)	54 910 149	43 272 638
Licences and permits	3 716 542	5 273 345
Commissions received	1 279 749	8 754 694
Other income	26 746 340	20 074 921
Interest received - investment	16 424 130	10 738 501
Property rates	174 982 000	164 654 270
Government grants & subsidies	477 040 563	457 746 183
Fines	1 122 690	453 207
	1 224 630 479	**1 149 912 241**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	467 915 341	438 293 901
Rental of facilities and equipment	492 975	650 581
Interest received (trading)	54 910 149	43 272 638
Licences and permits	3 716 542	5 273 345
Commissions received	1 279 749	8 754 694
Other income	26 746 340	20 074 921
Interest received - investment	16 424 130	10 738 501
	571 485 226	**527 058 581**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	174 982 000	164 654 270
Transfer revenue		
Government grants and subsidies	477 040 563	457 746 183
Fines	1 122 690	453 207
	653 145 253	**622 853 660**

21. Service charges

Sale of electricity	339 681 822	317 503 542
Sale of water	79 855 092	60 342 349
Sewerage and sanitation charges	27 314 628	26 093 531
Refuse removal	21 063 799	34 354 479
	467 915 341	**438 293 901**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

22. Government grants and subsidies

Operating grants		
Equitable share	259 726 123	237 404 000
Finance management grant	1 500 000	1 500 000
Municipal system improvement grant	800 000	995 302
	262 026 123	239 899 302
Capital grants		
Expanded public works programme	3 743 369	478 305
Municipal infrastracture grant	198 870 000	205 487 827
Bojanala platinum district municipality	-	80 000
Department of water affairs and forestry	7 801 071	4 169 934
Intergrated national electrfication	4 600 000	7 202 000
Library grants	-	192 271
Disaster management grant	-	236 544
	215 014 440	217 846 881
	477 040 563	**457 746 183**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Department of Water Affairs and Forestry

Current-year receipts	7 910 000	4 169 934
Conditions met - transferred to revenue	(7 801 071)	(4 169 934)
	108 929	**-**

Finance Management Grant

Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(1 500 000)
	-	**-**

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	205 302
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(995 302)
	-	**-**

Expanded Public Works Programme

Balance unspent at beginning of year	3 085 695	1 164 000
Current-year receipts	2 180 000	2 400 000
Conditions met - transferred to revenue	(3 743 369)	(478 305)
	1 522 326	**3 085 695**

Library Grant

Balance unspent at beginning of year	400 000	192 271
Current-year receipts	400 000	400 000
Conditions met - transferred to revenue	-	(192 271)
	800 000	**400 000**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

22. Government grants and subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	111 576 238	111 576 238
Current-year receipts	198 870 000	163 940 000
Conditions met - transferred to revenue	(198 870 000)	(163 940 000)
Equitable share (held back)	(76 120 000)	-
	35 456 238	**111 576 238**

During the 2010/2011 financial the Municipality submitted an application to the National Treasury for the rollover of unspent Municipal Infrastructure Grant which was denied. The amount was to be paid back in two installment which will be paid by holding back of a portion of the equitable share.During 2012/2013 an amount of R76 120 000 was held back on the equitable share. The remaining amount will be deducted from the 2013/2014 allocation of the equitable share.

Integrated National Electrification Programme

Current-year receipts	4 600 000	7 202 000
Conditions met - transferred to revenue	(4 600 000)	(7 202 000)
	-	**-**

Bojanala Platinum District Municipality Grant

Current-year receipts	-	80 000
Conditions met - transferred to revenue	-	(80 000)
	-	**-**

Disaster Management Grant

Balance unspent at beginning of year	2 263 456	-
Current-year receipts	-	2 500 000
Conditions met - transferred to revenue	-	(236 544)
	2 263 456	**2 263 456**

23. Other income

Advertising hoarding	216 374	210 806
Cemetery fees	777 843	851 234
Electrical sales departmental trading	9 748 186	9 291 705
Insurance commision	989 759	2 119 613
Notice fees	1 827 834	99 380
Other income	431 072	136 752
VAT recovery	-	2 204 445
Bulk services	306 385	-
Building plans	992 929	701 952
Reconnection fees	5 660 867	1 272 597
Refuse removal departmental sales	2 923 305	1 381 901
Service connections	452 650	719 905
Tender document fees	1 230 147	478 212
Town planning	315 301	174 430
Valuation fees	26 812	29 885
Water sales departmental trading	846 876	402 104
	26 746 340	**20 074 921**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. General expenses

Advertising	922 745	614 511
Auditors remuneration	3 727 815	5 789 019
Bank charges	1 895 299	1 282 365
Consulting and professional fees	18 396 469	9 388 851
Consumables	1 592 335	404 487
Discount allowed	-	1 209 080
Refreshments	550 562	695 443
Insurance	2 345 901	2 462 012
Lease rentals on operating lease	9 088 454	10 435 760
Water and electricity	3 901 250	9 260 931
Licence fees	1 231 705	1 366 575
Protective clothing	409 731	547 659
Subscriptions and membership fees	(1 187 658)	2 708 609
Telephone and fax	3 507 870	2 926 793
Transport - Fuel	4 319 238	4 309 849
Training	2 502 032	938 865
Travel and accomodation	3 338 226	1 813 025
Formalisation of townships	611 653	1 684 332
Licence fees	3 565 876	2 266 023
Stock written off	(116 317)	183 332
Training levy	2 427 950	1 943 009
Other expenses	15 194 879	25 215 976
Assistance to indigents	2 122 072	9 561 278
Printing of statements	1 343 903	1 851 005
Social programmes	163 229	4 085 561
Chemicals	6 309 520	6 177 668
	88 164 739	**109 122 018**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

25. Employee related costs

Acting allowances	3 516 152	5 645 441
Basic	140 932 009	124 514 628
13th cheques	10 744 410	9 631 335
Housing benefits and allowances	1 193 169	1 157 556
Industrial council	64 891	42 706
Leave pay provision charge	14 868 241	4 179 968
Medical aid - company contributions	18 935 375	16 634 091
Overtime payments	27 451 544	25 251 773
Provident and pension fund	30 914 045	27 079 461
Stand by allowances	1 460 061	1 414 188
Transitional allowances	15 264	18 681
Telephone/Celephone allowance	278 807	275 440
Travel allowances	16 090 910	11 605 598
UIF	1 350 142	1 244 231
	267 815 020	**228 695 097**

Remuneration of municipal manager

Annual remuneration	766 888	289 569
Allowances	316 891	141 918
Contributions	181 109	60 591
	1 264 888	**492 078**

Remuneration of chief finance officer

Annual remuneration	773 134	818 983
Allowances	345 343	183 863
Contributions	1 712	1 497
	1 120 189	**1 004 343**

Remuneration of chief operating officer

Annual remuneration	390 434	568 180
Allowances	118 589	264 116
Contributions	94 551	163 976
	603 574	**996 272**

Remuneration of director community services

Annual remuneration	512 465	716 230
Allowances	348 387	175 655
Contributions	164 404	137 817
	1 025 256	**1 029 702**

Remuneration of director corporate support services

Annual remuneration	192 470	731 046
Allowances	125 122	182 456
Contributions	53 854	124 520
	371 446	**1 038 022**

Remuneration of director public safety

Figures in Rand	2013	2012

25. Employee related costs (continued)

Annual remuneration	589 334	92 000
Allowances	220 036	31 929
Contributions	168 610	20 489
	977 980	**144 418**

Remuneration of director infrastructure and technical services

Annual remuneration	659 377	485 938
Allowances	224 766	245 824
Contributions	176 228	125 761
	1 060 371	**857 523**

Remuneration of director local economic development

Annual remuneration	631 948	605 531
Allowances	228 535	229 675
Contributions	130 172	121 801
	990 655	**957 007**

Remuneration of director human settlement

Annual remuneration	621 523	45 000
Allowances	238 332	18 740
Contributions	169 423	13 307
	1 029 278	**77 047**

26. Remuneration of councillors

Executive Mayor	712 465	690 405
Speaker	556 098	524 619
Single Whip	522 587	578 649
Mayoral Committee Members	5 659 137	4 493 236
Councillors	15 541 745	13 482 091
	22 992 032	**19 769 000**

The remuneration of the councillors, directors and officials salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the constitution.

27. Debt impairment

Debt impairment	154 426 145	98 662 111
Bad debts written off	244 755 203	-
	399 181 348	**98 662 111**

28. Investment revenue

Interest revenue

Investments	15 969 317	10 565 264
Bank	454 813	173 237
	16 424 130	**10 738 501**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29. Fair value adjustments

Investment property (Fair value model)	-	490 000
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	654 983	1 166 709
	654 983	**1 656 709**

30. Depreciation and amortisation

Property, plant and equipment	474 550 345	484 426 373

31. Finance costs

Non-current borrowings	70 448 070	64 202 796
Finance leases	-	230 078
Bank overdraft	-	930 813
Defined benefit plan	8 081 005	9 171 326
	78 529 075	**74 535 013**

32. Auditors' remuneration

Fees	3 400 570	5 615 041
Expenses	327 245	173 978
	3 727 815	**5 789 019**

33. Contracted services

Waste removal	18 380 583	156 044
Meter readings	1 464 600	1 188 717
Water tankers	12 605 926	9 035 727
Security services	25 205 500	11 430 569
Other contractors	21 316 988	21 898 045
	78 973 597	**43 709 102**

34. Bulk purchases

Electricity	294 888 831	286 876 378
Water	41 788 190	42 212 475
	336 677 021	**329 088 853**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

35. Cash generated from operations

Surplus / (deficit)	(550 061 678)	(239 187 365)
Adjustments for:		
Depreciation and amortisation	474 550 345	484 426 373
Acturial gain on post employee benefits	(3 892 436)	(5 607 648)
Fair value adjustments	(654 983)	(1 656 709)
Debt impairment	399 181 348	98 662 111
Movements in provisions	6 799 506	16 073 066
Other financial assets	57 564 415	41 266 146
Vat receivable	14 980 977	(14 980 997)
Other financial assets long term	10 850 317	11 884 246
Changes in working capital:		
Inventories	409 340	(1 314 291)
Receivables from exchange transactions	-	39 912
Other receivables	13 915 886	(1 586 701)
Consumer debtors	219 238 981	(66 506 715)
Payables from exchange transactions	17 758 723	(98 239 085)
VAT	16 393 365	(20 538 321)
Unspent conditional grants and receipts	(77 174 440)	4 187 578
Consumer deposits	67 511	3 176 593
	599 927 177	**210 098 193**

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	112 128 956	34 911 213

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	13 850 000	61 607 384

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

37. Contingencies

The municipality received a summons in which the plaintiff alleged in their particulars of claim that her minor child suffered serious injuries as result of the municipality's negligence to take care of the electrical wires on the road of Phase 3 at Oukasie. The plaintiff claim an amount of R 100 000 against the municipality. The matter has been postponed to allow the plaintiff to submit the medical report.

The Plaintiff is claimingan amount of R 50 000,00 for injuries she suffered and medical expenses she incurred by falling down and injured the whole of her left side due to a fault in the road at 33 Murray Street, Brits. The matter has been postponed to allow the plaintiff to submit medical report.

On the 25th May 2012 a summons was served to the municipality wherein Izma Beleggings (Pty) Ltd is seeking an order directing the municipality to pay amongst others the amount of R 5 000 000,00 to the transferring attorneys in terms of the agreement of sale of property entered into and signed by the parties. The municipality instructed Gildenhuys Lessing & Malatji attorneys to defend the matter.

Multi Fleet Services (Pty) Ltd summoned the municipality on the 28th May 2012, wherein the plaintiff seeks amongst others the return of the tractors or alternatively to pay the sum of R 212 000, 00 which is alleged to be the value of the two tractors. The municipality instructed Ngwenya attorneys to defend the municipality in this matter.

On the 4th of April 2012 the municipality received a summons from Kosmos Ridge Home Owners Association in respect of which they claim that the municipality didn't complied with the undertaking on the 10th of August 2011 after a court order were issued on the 25th of February 2005. They said the municipality failed to install services, and they claim past and future expenses incurred as a result of non-compliances of the court order by the municipality. The plaintiff sue the municipality for an amount of R 848 354, 07 and the future amount to be determined. The municipality instructed Maenetja attorneys to defend the matter for the municipality. The attorneys served the opponent with the notice of exception, and they served them with the amended particulars of claims.

The municipality received a summons for payment of R4 009 584.55 which GR Makopo CC alleged to be for compensation for breach of contract by the municipality.

The municipality received a summons for payment of R5 098 901,94 which Hloyisane Electrical Technologies alleged to be for services rendered to the muicipality.

On 12th April 2007 the municipality and Traffic Management Technologies entered into a written agreement for the provision of a comprehensive back office for traffic admistration, TMT summons for payment of R3 260 400.00 which is alleged to be for breach of contract.

Phaphir Business Enterprise CC sued the Municipality for an amount of R2 467 958.80 which is alleged to be a shortfall for payment of services rendered from April 2006 to March 2008 for the removal services in the households, businesses, services container and street cleaning and removal of illegally dumped waste.

On the 20th July 2005, the municipality entered into a cotract with MK Construction for the construction of civil engineering services in Oukasie Ext 5 and Environs. It is alleged that the municipality cancelled the contract on the 30th May 2008 due to lack of performance without terms of warning. As a result of the municipality's failure to comply with its undertaking, MK Construction issued summons against the Municipality for a payment amount of R1 714 327.77 which is alleged to be damages suffered by the plaintiff.

The municipality received a summons for payment of R1 102 901,90 which Sechaba Traffic Solutions CC alleged to be for commission on traffic fines collected.

The municipality received a summons for payment of R4 169 240,42 which is alleged to be for damages caused by accidents resulting from the municipality's failure to fill the potholes on the R511 road.

The municipality received a summons for payment of R1 011 652,20 which is alleged to be for professional services rendered to the muicipality.

38. Prior period errors

The correction of the error(s) results in adjustments as follows:

	2013	2012
Statement of Finanncial Performance		
Correction of income that was incorrectly allocated to the expense vote	-	10 785
Reclassification of expenses votes to expenses	-	(9 017)
Recognition of property rates due to supplementary rolls not correctly implemented	-	2 117 561
Allocation of receipts to the correct vote	-	71 893
Reversal of incorrect posting under and over banking	-	467 028
Reversal of journal no: 2012441 incorretly captured	-	59 000
Reversal of delivery 00023552 &00023476 for refreshments	-	(32 250)
Reversal of journal 0085 incorrectly posted	-	(1 123)
Reversal of payments of mayor fleet made against the suspense account instead of relevant vote	-	(54 452)
Reversal of reversal of accual for youth programs already done accordingly	-	21 600
Reversal of unclaimed money to the relevant vote	-	5 252
Reversal of year end creditors paid against creditors control account	-	9 240
Reverse delivery 00023594	-	(29 971)
Reversal of expenses captured twice (repairs and maitenance)	-	374 679
Reversal of delivery 00023779 maintenance of terrains	-	(4 959)
Reversal of cancelled cheques- Brits sewerage plant	-	991 102
Correction of assets amount not capitalised in the prior year	-	(139 827)
Correction of prior year creditors and accruals on repairs and maintenance	-	11 383 936
Recognising accruals in 11/12 financial year which were not accrued	-	3 027 730
Reversal of delivery 00024079 professional services	-	(38 884)
Recognising accruals in 11/12 financial year which were not accrued	-	1 613
Adjustment of debt impairment due to recalculation	-	41 785 837
Interest: External loans	-	89 382
Correction of depreciation and impairment due to unbundling of assets	-	(446 600 965)
Clearing of Suspense account on employee costs	-	(2 694 900)
Recognition of actuarial gains on long services award	-	854 680
Recognition of finance cost on long service award	-	810 862
Recognition of benefit paid on long service award	-	(1 066 793)
Recognition of service cost on long service award	-	967 794
Correction of prior year creditors and accruals on contrcted services	-	66 740
Correction of prior year creditors and accruals on general expenses	-	(14 706 295)
Assets written off during the year	-	(2 778 189)
Recognition of water purchases not accruared for in the previous years	-	(11 217 731)
Statement of Financial Position		
Property, plant and equipment	-	1 082 595 070
Investment property (unbundling of assets)	-	4 107 411 997
Heritage assest	-	10 100
Cash and cash equivalent	-	(41 925 062)
Accumulated surplus	-	(5 198 750 138)
Trade and other receivable	-	42 063 716
Provision for long services award	-	(11 947 509)
Vat receivable	-	(620 334)
Other financial liabilties	-	89 382
Trade and other payables	-	63 020 604
unspent conditional grants	-	(41 947 826)

39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

40. Events after the reporting date

Management is not aware of any events that occurred after year end that may have an impact on the financial statements.

41. Unauthorised expenditure

Unauthorised expenditure - overtime	-	18 287 459

42. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Interest on overdue accounts	168 978	2 073 405

43. Irregular expenditure

Add: Irregular Expenditure - current year	2 669 482	-

Analysis of expenditure awaiting condonation per age classification

Current year	2 669 482	-

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
The irregular expenditure relates to good and services that we purchased outside the normal procurement process.		2 669 482

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

No contributions were made to local organised government during the year.

Audit fees

Opening balance	4 102 987	1 462 565
Current year fee	3 727 815	5 615 041
Amount paid - current year	(7 804 637)	(2 974 619)
	26 165	**4 102 987**

PAYE and UIF

Opening balance	2 778 024	2 368 368
Current year fee	34 513 144	32 864 161
Amount paid - current year	(37 291 168)	(32 454 505)
	-	**2 778 024**

Pension and Medical Aid Deductions

Opening balance	1 753 558	1 534 442
Current year fee	49 849 420	20 619 170
Amount paid - current year	(51 602 978)	(20 400 054)
	-	**1 753 558**

Figures in Rand	2013	2012

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	-	14 980 977
VAT payable	16 393 365	-
	16 393 365	**14 980 977**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Barlow EJ	53	-	53
Basson LJ	1 322	-	1 322
Davids D	744	104	848
Klass S	644	2 834	3 478
Komane MT	2 180	2 871	5 051
Lekoane S	1 655	5 537	7 192
Letwaba E	5 209	91	5 300
Maakane P	65	3 095	3 160
Mahlakwana RE	1 297	16 285	17 582
Makhongela PB	9 438	28 758	38 196
Maswanganye TE	3 013	23 423	26 436
Maunatlala SM	43	2 020	2 063
Meso MG	2 999	52 681	55 680
Mncina ME	1 096	24 095	25 191
Modise ETM	65	3 095	3 160
Mogotsi RK	1 757	8 533	10 290
Mogotsi SM	526	366	892
Molefe WS	6 593	3 933	10 526
Peplar K	6 554	801	7 355
Rossouw DF	-	3 618	3 618
Sefudi AM	1 529	186	1 715
Strauss WI	2 656	57 908	60 564
Tlhopane M	1 599	364	1 963
Tsotetsi TPJ	64	3 049	3 113
Moloi MS	979	52	1 031
Motepe FJ	1 838	30 150	31 980
Ncongwane SE	99	-	99
Ndonyane OS	1 711	18 550	20 261
Nkosi I	3 025	20 832	23 857
Nqetho MC	-	-	-
Nthasngeni SDN	65	3 095	3 160
Ntshabele KS	64	3 049	3 113
	65 475	**277 782**	**388 775**